

Your Excellency Dr. Mustafa Madbouly,

Prime Minister,

Sincere greetings,

With reference to the decision of the CBE in the context of the cabinet's directives to Egyptian banks on ceasing the use of documents of collection in all the import processes to use only documentary letters of credit as of 13 February 2022 that was issued without consulting business organisations on the impact of this procedure on economic activities and investment though all business organisations have shown readiness to assist the government in adopting policies that serve national economy and public interest, but with tools that do not result in negative impacts on current projects and their obligations.

In this regard, business organisations signing this memo request cancelling such procedure immediately for the following reasons:

- Such procedure will directly impact the supply of industry with production requisites, intermediate goods, and spare parts for production lines, an aspect that will aggravate the current problem of supply chains that started with COVID-19, an aspect that, in turn, reflects on the volume of production, the provision of goods, and the rise of prices including the negative impact on the product and the consumer alike.
- Such procedure negatively affects the foreign investor's trust in Egyptian industry and economy as the decision enfolds an alert message on an impairment in the provision of foreign currencies that entailed issuing such instructions.
- Such procedure stands as a direct threat to the health and safety of citizens through its direct impact on supplies of the pharmaceutical sector that oftentimes come in the form of small consignments with urgent supply orders by air freight without the need to open documentary letters of credit that include lengthy procedures that the health system cannot afford, never to mention hospitals' need for medical spare parts and requisites that is gravely dangerous to the provision of the medical service, raises its costs, and impairs contractual obligations between hospitals and the health insurance system.
- Such procedure negatively impacts imports with a rise in production costs, consequently the competitiveness of Egyptian products that already shoulder burdens that limit its competitiveness, an aspect that conflicts with the goal of the state to raise exports to USD 100 billion.
- Such procedure impacts the ability of industrial establishments to provide the needed foreign currency that cover the letters of credit requested, an aspect that raises demand for foreign currency and opens the way to transactions outside the formal market of foreign currency with the CBE restrictions to the funding of some activities through banks.
- The said procedure did not take into account factories' import processes of spare parts and some requisites that are imported by express mail.
- Such procedure takes the burden of credit facilities provided to establishments before the issuance of such decision based on businesses and trust relations built over the years with suppliers from abroad to shoulder it to the foreign currency and banks, an aspect that impacts economy in general.

- The financial solvency of companies will be unable to accommodate the volume of the businesses that these companies used to realise through supplier facilities before the issuance of the decision, particularly, the companies that have expanded and raised the volume of their investments to meet the needs of Haya Karima initiative and national projects according to the state policy and its interest in the local product; this negatively impacts the supplies of these factories to such projects upon the agreed timetables.
- The decision has pointed that the goal of issuance is to help govern the import system although transactions through opening documentary letters of credit has diminished trade transactions to a great extent on the international level, as aspect that refutes the reasons of issuance that came in the CBE note.
- Similar decisions have been applied previously and did not succeed in accommodating the problems they were issued to address.
- The said procedure did not take into account the companies that do not have credit facilities with banks, especially small and medium establishments that represent the bigger base of industrial establishments.
- Such procedures have exempted foreign companies and their subsidiaries from commitment to the decision and this undermines the principle of equal opportunities and equality of rights and obligations among all establishments.

Based on the above, and out of the keenness of all business organisations on realising public interest and avoiding the above mentioned impacts, we wish to request from you suspending such procedure and please note that we are fully ready to any consultation sessions to search for alternatives that may help realise the aspired goal without undermining the trade, industry, and investment system.

Sincerely,

Engineer/Ali Eissa

Chairman of the Egyptian Businessmen Association

Engineer/Mohammad Zaki Al-Sweidy

Chairman of the Federation of Egyptian Industries

Engineer/Ibrahim Al-Araby

Chairman of the Federation of Egyptian Chambers of Commerce

Cairo, 14/02/2022